Writing a business plan

It was 35 years ago this month. I began researching and building a business plan for what would become Learfield. I had some comfort with my knowledge of both the regional news network business and radio in general, but still I thought it wise to confirm this. Further, I needed confirmation in my own mind that Missouri radio stations would join. And, while I'd sold books door-to-door for four summers, I hadn't sold advertising. I had never been to an ad agency, much less a company advertising department.

There were twelve regional radio networks in existence that I knew about. I interviewed the managers of three of them: the Texas State Network; the Oklahoma News Network and the Arkansas Radio Network. I learned about their operations, and how they generated revenues. I called managers of many Missouri radio stations and asked them questions to gauge interest. Some of them completed a short mail survey.

Later, when I was seeking financial support, I wrote a business plan. It's pretty sorry compared to fancy plans I see today. There weren't spreadsheet programs back then; heck, there weren't computers! It did contain the basic elements however: operational plans, staffing, capital needs, revenue and expense projections and cash flow estimates. Today, I keep this business plan at my desk; it reminds me of how we started. I've never shown it around because it's so amateurish. But today --for history's sake-- here it is. Enjoy.

See below

September 30, 2007

Other Network Operations

There are many regional full-time networks across the nation. The all differ substantially in nearly every way -- content, purpose, distribution, size and rates. Standard Rate and Data Service (SRDS) lists 113 radio networks in the United States. In preparation (for) this project, the promoters contacted eleven of these:

The Intermountain Network: This network serves 10 states and 91 stations. It joined a news network already in existence, and thus simply became an arm of the parent company, beginning its broadcasts this calendar year (1972). Its operation headquarters is (in) Denver, Colorado. Programming consists of weather, markets and crop reporting. Operator was formerly with KLIK, Jefferson City, Missouri.

The Tobacco Network: This is one of the oldest regional networks in the United States and has expanded into five separate networks, all crop related. Distribution is by a 250,000 watt FM station in most of the states they serve, and by tape to those states not reached by the FM. Coverage is over eight states. Network offers time to the affiliates at their local rate card and the station pays the network a commission for sales.

Voice of Southwest Agriculture: This San Angelo, Texas network is one of the smallest operations around. One man handles everything and serves eight stations. Programming is entirely live, 30 minutes in the morning and five minutes at noon. This owner too was formerly with KLIK, Jefferson City, MO.

Michigan Farm Network: This operation is now two years old and uses wide area telephone service (WATS) lines for distribution. Network buys five minutes of time and the use of adjacencies for for one minute spot rate from the station and, in turn, sells the program at the five minute rate. During their first year, their best month grossed $6,000 and their worst month grossed $1,500. Average monthly gross is about $4,000. Both employees, their salesman and the farm director, have other employment and work on the network part-time.

Wisconsin Farm Network: This too is a small operation, but the network is a new one. Each station is negotiated with separately. The usual agreement is a split of sold advertising. Sales the first year in this one-man operation averaged about $3,000 per month. The operation is beginning its second year.

Oklahoma News Network: Wholly-owned property of KTOK Radio, Oklahoma City. Primarily a news network, this network utilizes the talent and facilities of an affiliated radio station. Distribution is to 46 stations by telephone lines costing about $4,000 per month. Programming is 5 minutes each half hour local news, and national news on the hour. There is some farm programming, but no farm director. The staff is shared with KTOK, except for the network manager and three salesmen. Monthly expenses are $10,000, and the network is making a good profit according to management, but the first year was tough with an “investment” or “loss” of $25,000.

Texas State Network: A wholly-owned property of KFJZ, Fort Worth. This is primarily a news and sports network similar in operation to ONN. It uses CATV and FM for distribution. The network serves 131 stations fulltime, and an additional 37 stations joint to make the Dallas Cowboys net. It started in 1938 and was rebuilt in 1965 after faltering. One man handles the entire load of the network except talent.

<u>Carolina Radio Network</u>: In the state of Carolina this is primarily a farm network, but now has expanded into a spot brokerage business covering 38 states and has maintained a high profit margin, expanding it substantially in the last two years. The network has a full-time farm director and supplies programming to all stations on programmed portion of the network.

<u>Iowa Radio Network</u>: A nonprofit network, owned by the 17 member stations. Besides farm news, they have a good deal of sports information and some news. The network acts as a sales arm for the member stations, after bills are paid, including a 4-grand monthly telephone bill, the profits are divided equally between member stations.

<u>Ohio Farm Network</u>: This is a full-time farm network, but distribution is by tape, and five days late. Programming is entirely morning about 20 minutes in length. It is entirely a pre-sold program, based on a percentage of the rate card of each station. One man handles all the programming and all the selling. The overhead is low, and sales, by comparison to the others, are moderate at best, seldom reaching $10,000 per month.

<u>Illinois Farm Broadcasting</u>: This operation is a wholly-owned company of the Illinois Farm Bureau. Stations get all programming free by telephone lines but agree to carry two commercials per day of the Illinois Farm Bureau.

Background

The idea of establishing networks came about to hold down production and programming costs by making a program available to several different broadcasting facilities. In the early days of radio when live entertainment was a huge expense the tying together, via a live network, several stations who could share the costs was a necessity. Nearly every station belong to a network then, just as nearly every television station now is a network affiliate.

Further, the advertiser quickly found networks as a good means of promoting nationally-marketed products. Besides the fact that a huge audience was reached, administrative costs in handling the advertising was greatly reduced.

However, during the last decade and a half the national radio network has diminished in its appeal. Radio stations which no longer carry a great deal of live entertainment programming, used the national networks only for national news, and are more-and-more using regional networks as a supplement to their programming. Radio is finding its own again after being pushed out of the media spotlight by television in the 50's. Radio didn't die, as some predicted. Instead its entire flavor changed. Retaining its primary attribute as a "personal medium," radio began to do just that with music and information aimed at one person -- the listener. Different kinds of stations became popular, some featuring programming for the businessman, radio for the younger set, morning programs for the housewife. Some stations began reaching all of these, at different times of the day.

While the regional network is nothing new to broadcasting, it has seen considerable growth in the last decade. Further, the regionalization of interests on behalf of the listener and the advertiser has made the establishment of such regional networks financially successful.

Regional networks have been carrying baseball games and other sporting events to those areas where fans lived and there was great interest. And there are other examples.

Regional news and farm networks have been especially lucrative. The growing farm economy required quick dissemination of farm information. Much of this information is a necessity to the agribusinessman.

Further, the advertiser wanting to market his good -- machinery, seeds, services, fertilizer, feed, chemicals -- looks for the way he can get the greatest number of farmers and ranchers to hear his message at the lowest possible cost. The regional farm network is the answer.

Now in Missouri only five stations have full-time farm directors: KFEQ, St. Joseph; KHMO, Hannibal; KWTO, Springfield; KLIK, Jefferson City; and KCMO, Kansas City. Even though these are primarily urban stations they are the only ones which can afford the expense of a farm department. Advertisers wanting farm programming are forced to purchase time on these stations at a huge price and still get a largely-urban audience.

If the advertiser decided to purchase time on (a) sufficient number of local stations to cover most of the farm audience and (was) able to find programming on each station that appealed to the farmer-rancher (say a weathercast), his costs again would be high. He could elect to buy only a handful, say seven semi-rural stations and keep his costs down. However, he then has the additional expense of providing copy for the advertisements, securing affidavits-of-performance and paying each station. Judd Wyatt, advertising director of the M.F.A Insurance Companies, says his firm has one full-time employee who does nothing but handle radio station advertising paperwork. Not, on the following page, the advertising costs of 40 selected radio stations in Missouri.

Under the Missouri Network Plan, and advertiser could purchase time on the network for around $2.00 per commercial minute per station, considerably below the per-minute cost were he purchasing the stations individually. He would cut administrative costs considerably in that he would have only one order, one affidavit-of-performance, one rate, and one check. But most important, he would be reaching a clear majority of the farm audience when the farmer-rancher was listening. His cost-per-thousand would be much lower.

A survey of selected radio station managers shows much interest in the establishment of such a network. These survey forms are listed in the appendix.

Such a network service does not preclude, certainly, the possibility of providing the service to urban areas. In fact, studies show that urban listeners have some interest in rural programming, particularly consumer-oriented information. WGN, Chicago, for example, programs more than 80 minutes of farm programming per day -- during prime radio time -- and remains the top station in that 54-station market.

Source: The original business proposal for Missouri Network, Incorporated (October, 1972)